



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

TARIFF REVISION AND PROTECTION FOR AMERICAN LABOR

BY JOHN R. COMMONS, A.M.,

Professor of Political Economy, University of Wisconsin, Madison, Wis.

For nearly seventy years the effective arguments that have sustained the protective tariff have been the home market for farmers and a high standard of living for wage earners. The first depends on the second, for without a purchasing power of American labor greater than that of foreign labor the home market is not much better than the foreign market. The standard of living is the really enduring justification of the protective tariff. The tariff prevents the competition of foreign low-standard labor and draws a charmed circle within which American labor may gradually work out its own higher standards.

Now, it is an important fact that the principal leaders and advocates who framed the pauper labor argument two or three generations ago and who won its acceptance by the country, did not believe that the tariff alone would bring about a high standard of living. They looked upon the tariff merely as defensive. It needed to be supplemented by positive efforts, by voluntary organizations, by legislation, within this country. In fact, the tariff was to them simply the means by which these domestic efforts could be guaranteed a free field for successful experiment and adoption. Matthew Carey, from 1820 to 1840, did more than any other American to establish the tariff on a protective basis in the interests of labor. His indefatigable investigations furnished the arguments for petitions which manufacturers sent to Congress; for reports of Congressional committees; for speeches of Congressmen; and he, more than any one else, changed the tariff argument from protection to capital to protection to labor. Yet Matthew Carey, although an employer, was prominent in the labor agitation of the 'thirties and in his support of the labor organizations of that period. He aided and defended their strikes and brought down upon himself the blows of the free-trade organs, which rightly identified his protectionism with his trade-unionism.

Following him came Horace Greeley, who did for the people what Carey had done for the politicians. He converted them to protection by the home-market and the standard-of-living arguments. Yet there was no man of national fame in his day who did as much effective work for trade-unionism and even socialism as Horace Greeley. He presided over industrial congresses to which delegates came from the labor unions, the land reformers, from the Fourierite, and other socialistic societies. He opened the *Tribune* to these radicals and avowed himself for socialism at the time when he was also powerfully supporting protection. Indeed, he claimed that protection was necessary to enable socialism to work itself out to a successful issue free from the destructive competition of pauper labor.

When we come to the period after the war, Congressman Kelley, of Pennsylvania, so persistent and able a champion of protection as to be known to the nation as "pig-iron Kelley," often asserted, as I have been told by his daughter, Mrs. Florence Kelley, that the work of his generation must be to establish American industry, the work of the next generation would be to diffuse its benefits.

It is this hope of Congressman Kelley which I believe points toward the duty of the present day in the revision of the tariff. The socialism of Horace Greeley has long since been proved visionary. The trade-unionism of Carey and Greeley has been proved ineffective in the very industries where the tariff is most protective. In Greeley and Kelley's time the iron and steel industry seemed to be firmly established on a system of joint trade agreements of capital and labor, but, since the Homestead strike, the once powerful trade union of that industry has dwindled to a remnant. The hours of labor for men on shifts have been increased almost uniformly to twelve per day; night work and Sunday work have been extended wherever possible; twenty-four hours' consecutive work on alternate Sundays in order to change the night and day shifts has become necessary for many employees; while speeding up to the limit of endurance and cutting piece rates with increase of speed have been reduced to a science. The glass industry, too, is marked by the decline of unionism in certain branches, and even with unionism it is notorious for the exploitation of child labor. In the textile industry child and woman labor, long hours and interstate competition have defied the loudest agitation and have kept the wages

and conditions at a point actually inferior in places to those of its free-trade competitor, England. In other protected industries unionism is making a retreating fight, and I do not see how it is possible in those which have reached the stage of a trust for unionism to recover its ground. Labor cannot concentrate as capital does. It is among the industries and laborers not directly protected by the tariff, like the building trades, the railroads, the longshoremen of the lakes, that unionism has its principal strength. In all industries its influence is partial, and the great majority of the workers are outside its ranks. If their standards of living are to improve under the protecting shield of the tariff, the improvement must come through the aid of legislation.

We need scarcely stop to maintain the futility of state legislation in protecting labor in the tariff-protected industries. If the industry is competitive the more advanced states like Massachusetts cannot afford to handicap too greatly their own manufacturers. If the industry is "trustified," the trust can shut down its factories in an advanced state and throw its orders to its factories in a backward state like Pennsylvania. The tactics that defeat unionism are those that defeat state legislation.

As regards federal legislation there are serious questions of constitutionality and interference with state prerogatives. These have come to the front in the discussion that followed the Beveridge child labor bill and in the decision of the National Child Labor Committee to withdraw from that line of attack. It is doubtful whether such legislation can be brought in under the subterfuge of interstate commerce, or even under the "general welfare" clause. But more to the point is the fact that it is not based on the real consideration which the federal government offers to employers of labor as compensation for the expense which labor legislation imposes. This is the protective tariff. In this field questions of constitutionality have already been settled. Congress may impose a tariff for protection as well as revenue. It may select the industries and articles to be taxed and determine the rate of import duty. Congress is also supreme in the matter of internal revenue taxes. It may impose such taxes for regulation as well as revenue. It coupled the National Bank act with a prohibitive tax of 10 per cent on state bank notes. It has placed a heavy tax on colored oleomargarine in competition with dairy butter. In the field of customs

and internal revenue taxation Congress "is supreme in its action. No power of supervision or control is lodged in either of the other departments of the government."¹ With this unquestioned control of the taxing power, the tariff can be made to pass over a share of its benefits to the wage earners for whom it is intended. The method is merely a question of the technical drafting of the law and not any innovation on the principles of legislation nor infringement on constitutional boundaries.

A feasible method has been suggested by the new Commonwealth of Australia in the taxation of agricultural machinery. The so-called "excise tariff" of 1906 was adopted on the same day as the "customs tariff." The customs tariff act imposes a schedule of duties on imported goods, and the excise law (*i. e.*, internal revenue) imposes a schedule of one-half those rates on the same goods when manufactured at home. But it is provided that in certain cases the excise duty shall not apply. These are establishments where the "conditions as to the remuneration of labor" in the manufacture of the home product (*a*) "are declared by resolution by both Houses of Parliament to be fair and reasonable;" (*b*) are in accordance with an arbitration award or (*c*) a trade agreement of employers and trade union as provided in the conciliation and arbitration act of 1904; or (*d*) are declared fair and reasonable after a hearing by a judge of the supreme court of a state or his referee. The administrative details are of course unessential. The essential feature of the Australian arrangement is an internal revenue duty at a lower rate than the customs duty on the competing article, and the remission of that duty if the home manufacturer, on whom is the burden of proof, can show that his employees actually receive the benefits intended by the protective tariff.

I do not overlook the fact that a policy of this kind requires administrative machinery and scientific investigation. But this should be required under any kind of tariff revision. Surely the tariff should not be revised or reduced except on the basis of cost of production in this country and foreign countries. This should include, first of all, the comparative cost of labor. I believe all tariff revisionists agree to this, in order that the tariff may be retained ample enough to cover the higher costs of labor in this country. But there is a menace imminent even in such an investiga-

¹⁷ Wall, 433; 195 U. S. 57.

tion at the present time, because it assumes that revision will be made on the basis of the existing long hours, low wages, and child and woman labor of many protected industries. The actual cost of labor is lower than it would be if the hours, wages, and conditions were fair and reasonable. The people of this country will gladly support a tariff high enough to pay, not merely the existing wages, but better and even ideal wages. They do not ask that the tariff be reduced to the present labor cost. In some cases, like pig iron, that cost is probably less than it is in England, but in England the blast furnace workers are on the eight-hour day, while here their day is twelve hours, seven days a week. The people willingly protect labor, but they would like to see the tariff actually passed along to the wage earner. If, therefore, a tariff commission investigates the comparative cost of labor in this and competing countries, it should inquire whether the wages and hours are actually reasonable, and what would be the cost if they were made reasonable. It is on this ideal basis and not the actual basis that the tariff should be revised. If this is done, then the only serious difficulty of the plan, that of investigation, is already provided for. Such a tariff commission would necessarily be a permanent one, and naturally it would be a bureau of the Department of Commerce and Labor.

A permanent bureau of this kind would receive general instructions from Congress as to what, from the standpoint of a reasonable American standard of life, should be the condition of labor. This might provide for all workers at least fifty-two full days of rest each year. It might provide that all continuous operations should be divided into three shifts of eight hours instead of two shifts of twelve hours. It might provide the eight-hour day in non-continuous operations for women workers and possibly for men. It might set the minimum age of child labor at fourteen. Other provisions, such as minimum rate of pay, might be more general and be left to the commission under general instructions to ascertain what is reasonable under the conditions. If upon investigation and inspection the bureau or commission finds that a given manufacturer is granting to his employees these reasonable conditions, a certificate to that effect would be the warrant of the internal revenue commissioner to remit the internal revenue tax. All the machinery for imposing such a discriminating tax is already in existence in the administration of the oleomargarine tax which

imposes a tax of ten cents per pound on artificially colored oleomargarine and one-fourth of one cent per pound on uncolored oleomargarine. This tax and its administrative machinery have been sustained by the Supreme Court of the United States as being not in contravention of the Constitution.² The only additional machinery required is that which is already widely proposed in the form of a permanent tariff commission. Such a commission, I believe, is favored by the National Association of Manufacturers, and their bill only needs the addition of a clause giving the commission power to issue and revoke these certificates of character, in order to make it an effective instrument of labor protection. This would of course require a force of inspectors or agents, and considerable expense, but the expense would be met by the added revenue.

²*McCray v. U. S.*, 195 U. S. 27.